

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0656-01
Bill No.: HB 137
Subject: State Departments; Federal - State Relations; General Assembly
Type: Original
Date: January 23, 2013

Bill Summary: This proposal requires all state agencies to obtain approval from the General Assembly prior to administering, implementing, or expanding any federal program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Various Federal Funds	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Agriculture, Department of Corrections, Department of Economic Development, Department of Mental Health, Department of Natural Resources** and the **Office of Administration** each assume this proposal has an unknown impact contingent on the potential future actions of the federal government.

Officials at the **Missouri Housing Development Commission** assume federal funding for competitive housing grants may be awarded outside the legislative session which would result in delaying approval until the General Assembly reconvenes. The impact of this proposal is therefore, unknown.

Officials at the **Department of Higher Education** assume that since the provisions are vague, it is difficult to ascertain how the Department would be fiscally impacted. Depending on the interpretation and application of the provisions, they could impact the Missouri Student Loan Program, a federal program operated by the Department and any number of federal grants for which the Department may wish to apply in the future. The impact is unknown and will depend on the future action of the federal government and the interpretation of the provisions of this proposal.

Officials at the **Department of Revenue (DOR)** assume this will have an unknown impact on DOR. Specifically, it may impact the ability of DOR and the State to comply with the provisions of the Federal Motor Carrier Safety Improvement Act and commercial driver license (CDL) program requirements. Federal grants are offered to improve state programs. At times, these grants require a quick response in order to apply. This proposal could result in the loss of federal highway funding to the State. It could also potentially affect the authority of DOR and the State to participate in any federal program or comply with the provisions relating to motor vehicles.

Failure to comply with federal regulations could result in the loss of Missouri's portion of federal highway funds, with the first year of non-compliance resulting in 4% reduction (approximately \$32 million), and each subsequent year subject to a 8% reduction (approximately \$64 million). Missouri may lose the ability to issue CDLs if not compliant.

Additionally, DOR shares information with the federal government, specifically the Internal Revenue Service on a daily basis. The collections as a result of these sharing agreements exceed more than \$128 million annually. If this legislation prevents DOR from continuing any of these programs, the reduction in Total State Revenue could be significant.

ASSUMPTION (continued)

Officials at the **Department of Labor and Industrial Relations (DOLIR)** has sent this bill to the United States Department of Labor (USDOL) for review but has not yet received a response. This bill may pose conformity problems with federal law. The federal government and state governments are jointly responsible for administering the unemployment insurance (UI) system. In addition to regular UI benefits, DOLIR administers a number of federal programs through agreements with the USDOL, such as Disaster Unemployment Insurance (DUA), Trade Readjustment Allowances (TRA), and Emergency Unemployment Compensation (EUC08).

State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UI program and for employers to qualify for certain tax credits. If this proposal raises a conformity issue with federal law, it could jeopardize the certification of Missouri's UI program. If the program fails to be certified, Missouri could lose approximately \$46 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri could lose the approximately \$13 million in federal funds each year the Department of Economic Development- Division of Workforce Development uses for Wagner-Peyser re-employment services.

The FUTA imposes a 6.0% payroll tax on employers. Most employers never actually pay the total 6.0% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the FUTA payroll tax if the state UI law is approved by the Secretary of Labor. However, if this bill causes Missouri's program to be out of compliance or out of conformity, Missouri employers could pay the full 6.0%, or approximately an additional \$859 million per year.

The Division of Labor Standards, Missouri On-site Safety and Health Consultation Program also provides safety and health consultation services to small employers throughout the state of Missouri. The Program is funded at 90% through a Cooperative Agreement with the Occupational Safety and Health Administration and is mandated through 29 CFR 1908.1(a). The Cooperative Agreement is written on an annual basis. The expansion of the Program is predicated on 1) the amount federal funding awarded; 2) the amount of state funding provided; and 3) one-time only federal funds provided. More often the Program acquires a greater amount of federal funding than state funding or one-time only federal funds.

Officials at the **Department of Elementary and Secondary Education** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume an unknown fiscal impact to their Department.

ASSUMPTION (continued)

Officials at the **Department of Health and Senior Services (DHSS)** assume the fiscal impact is unknown depending on the interpretation of the proposed language and is also contingent on potential future actions of the federal government. It is unclear if the General Assembly would be required to authorize those federal mandates and programs already in place or only those that occur in the future.

Due to time constraints associated with federal programs and grant applications, it is unlikely the General Assembly approval could be sought and granted within sufficient time to allow for the successful completion and submission of federal grant applications. This would be particularly problematic for DHSS as the department relies on federal funding for a significant portion of its operations. If the General Assembly does not approve a DHSS federal program(s), the department could lose funding for programs including, but not to limited to, the Medicaid Home and Community Based Services; activities provided by the Area Agencies on Aging that are supported by Older Americans Act funds; Adult Protective Services sustained by the Social Services Block Grant; Ryan White HIV/AIDS; and various nutrition programs. DHSS assumes that any services provided for Missouri's elderly and adults with disabilities to enable them to remain in their homes and communities rather than enter long-term care facilities would need to be funded by state resources for services to continue at the current levels. DHSS may be unable to accept additional funding for existing staff and programs; unable to apply for and receive additional funding to disburse to Local Public Health Agencies and to local and community partners and coalitions, etc. Loss of federal funding could have a negative impact on public health and DHSS's ability to implement public health programs in Missouri.

Officials at the **Office of the Secretary of State (SOS)** assume if the General Assembly chooses to not grant approval to the expenditure of granted federal funds, all previously received federal funds will have to be returned to the granting federal agency and the State will be ineligible to receive further funds from the granting federal agency. At the start of FY2013, the SOS had a total federal fund appropriation of \$9,457,823.

Officials at the **Office of Administration - Budget and Planning** assume this proposal could reduce the State's ability to draw down federal dollars.

Officials at the **Department of Conservation** assume an unknown negative fiscal impact to the Department of more than \$100,000 annually.

Officials at the **Department of Social Services** assume the impact is unknown but could exceed \$100,000 annually.

ASSUMPTION (continued)

Officials at the **Department of Public Safety - Alcohol and Tobacco Control, Department of Public Safety - Capitol Police, Department of Public Safety - Fires Safety, Office of Prosecution Services, Office of the State Auditor, Office of State Courts Administrator, Office of the State Public Defender** and the **Office of State Treasurer** each assume there is no fiscal impact to their agency from this proposal.

Oversight assumes this proposal could impact all federal funds received by the State. Oversight will show the impact as \$0 (all federal funds are kept) or Unknown over \$100,000 (a loss of any or all federal funds).

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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VARIOUS FEDERAL FUNDS

<u>Loss</u> - Federal Funds across various departments of programs not approved by the General Assembly	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)	\$0 or (Unknown over \$100,000)
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ESTIMATED NET EFFECT ON VARIOUS FEDERAL FUNDS	\$0 or (Unknown over <u>\$100,000</u>)	\$0 or (Unknown over <u>\$100,000</u>)	\$0 or (Unknown over <u>\$100,000</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive assistance from a federally funded program could be impacted if the General Assembly no longer approves the federal funds.

FISCAL DESCRIPTION

This bill requires any state agency to obtain approval from the General Assembly prior to administering, implementing, or expanding any federal program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

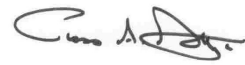
SOURCES OF INFORMATION

Department of Agriculture
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
Department of Social Services
 Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
Department of Revenue
Missouri Housing Development Commission
Office of Administration
 Budget and Planning
Office of Prosecution Services
Office of the Secretary of State
Office of State Courts Administrator
Office of the State Auditor
Office of the State Public Defender
Office of State Treasurer

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Not Responding:

Missouri Department of Transportation
Missouri Veterans Commission
Office of Attorney General

A handwritten signature in black ink, appearing to read "Ross Strobe", is positioned above the printed name.

Ross Strobe
Acting Director
January 23, 2013